



REPORT NO. 53: PRIVATE EQUITY AND PUERTO RICO

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**PRIVATE EQUITY AND
PUERTO RICO:**

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is Buying Up Mortgages and
Foreclosing on Island Residents**

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BUYING UP MORTGAGES AND**

FORECLOSING ON ISLAND RESIDENT

Private Equity and Puerto Rico: How a TPG Capital affiliate is buying up mortgages and foreclosing on island residents



The current humanitarian crisis in Puerto Rico cannot be overstated. In the wake of Hurricane Maria, 80% of the island still does not have power.^[1] Many towns are dealing with the aftermath of extreme flooding.^[2] And there is the looming question of what will happen to the island's \$74.8 billion in debt, which had prompted an economic crisis and extreme austerity budget even before the storms hit. Despite this, vulture hedge-fund managers that speculated on the island's debt continue to demand repayment.

The debt crisis has also deepened the island's foreclosure crisis. In 2016, an all-time record of 5,424 homes were foreclosed on, up 130 percent from a decade ago.^[3]

Meanwhile, 1%ers like hedge fund billionaire John Paulson have bought up luxury real estate on the island, aiming to turn it into a tax haven for the ultra-wealthy.^[4] A Hedge Clippers investigation has revealed that, in addition to the debt crisis, Wall Street is at the heart of the island's foreclosure crisis.

Our investigation found:

- A residential mortgage loan servicer called Rushmore Loan Management Services is one of the firms aggressively foreclosing on Puerto Ricans. They are the second

largest owner of REO properties on the island and the second largest reposessor of homes, according to a June 2017 report.

- Rushmore Loan Management Services is an affiliate of TPG Capital, the private-equity megafirm headed by billionaire David Bonderman with over \$73 billion under management. Rushmore does not appear to disclose their relationship with TPG on their website or in any consumer-facing materials.
- Data on Rushmore’s treatment of mortgages acquired from Freddie Mac and the Consumer Financial Protection Bureau’s consumer complaint database shows that Rushmore also has a record of aggressively foreclosing on homeowners on the mainland and in states with large Puerto Rican diaspora communities, including Florida, New York, and New Jersey.



What is TPG Capital?

TPG Capital, headquartered in Fort Worth, Texas, is one of the largest private equity firms in the world, with more than **\$73 billion under management**.^[5] TPG has recently touted its commitment to **“social and environmental benefit”**^[6] in publicity for its new

impacting investing fund, The Rise Fund. The firm has raised \$2 billion for the fund. Its founding board is comprised of high-profile philanthropists, social activists, business leaders, and tech investors, including Bono, Richard Branson, Ebay founder Pierre Omidyar, Salesforce founder Marc Benioff, and LinkedIn founder/AirBnB investor Reid Hoffman.[7]

But the Rise Fund's commitment to “sustainable social and environmental change”^[8] is at odds with TPG's role in Puerto Rico's foreclosure crisis.



Foreclosures in Puerto Rico

TPG has managed to stay out of the news for their role in foreclosing on Puerto Ricans. While Puerto Ricans continue to suffer amid the island's economic and humanitarian crises, a foreclosure crisis has also reached all-time highs.

In June 2017, an average of 18 Puerto Rican families lost their homes every day to foreclosure. In 2016, an all-time record of 5,424 homes were foreclosed on, up 130 percent from a decade ago. Homelessness rates due to job loss and eviction have also increased; more than half the homeless people interviewed for a 2015 Puerto Rico government said they were homeless for the first time.^[9] Between 2013 and September 2017 (Pre-Hurricane Maria) The US Census Bureau's estimate for projected population loss in Puerto Rico more than tripled.^[10]

TPG Capital: Fueling Puerto Rico's Foreclosures

To identify the firms that are fueling the island's foreclosure crisis, Hedge Clippers examined records of real estate owned (REO) properties on the island. The second largest owner of REO properties in Puerto Rico and second largest reposessor of residential properties on the island is a residential mortgage **loan servicer called Rushmore Loan Management Services.**^[11] In November 2014, **Rushmore opened an office in San Juan and began servicing distressed mortgages on the island.**^[12]

Additionally, a firm affiliated with Rushmore is responsible for the skyrocketing number of foreclosure cases that reach Federal Court in Puerto Rico. Over the past several years, that number has increased exponentially. In 2013, 43 foreclosure proceedings were filed in Federal Court in Puerto Rico. In 2014, there were 52. In 2015 and 2016, **there were 1,148 and 1,081, respectively.**^[13] According to an *El Nuevo Día* investigation, **most of the claims have been filed by Roosevelt Cayman Asset Company, a Rushmore affiliate.**^[14] Roosevelt Cayman has advanced multiple foreclosure suits in federal court since Puerto Rico was devastated by Hurricane Maria, despite calls from advocates to halt foreclosures on the island. (*Roosevelt Cayman Asset Company II V. Gonzalez-Rivero Et Al*, 3:17cv1764, Nov 21, 2017 Motion for Default Judgement; *Roosevelt Cayman Asset Company II V. Maldonado Rivera Et Al*, 3:17cv1728, Nov 1, 2017 Motion for Default Judgement.)^[15]

At first glance, Rushmore might seem like a standalone mortgage servicer. But it is actually affiliated with private equity giant TPG. **Rushmore's parent company is Roosevelt Management Company.**^[16] Roosevelt Management Company's principal owner is Roosevelt Senior Professional LLC, whose members are Michael O'Hanlon and Alan Waxman. **O'Hanlon earlier this year replaced Clive Bode.**^[17] Waxman and Bode each own **50% of Roosevelt Senior Professional.**^[18] **Bode** is a partner and senior counsel at TPG and Waxman leads TPG Sixth Street Partners (TSSP), **a \$20 billion arm of TPG focused on credit.**^[19] Roosevelt is also listed as a related entity on **TPG Global Advisors form ADV.**^[20]

Both Waxman and Bode are high-ranking in TPG. TPG co-CEO (and former Goldman Sachs president) TPG co-CEO **John Winkelreid has cited Waxman as bringing him over to TPG.**^[21] TPG founders David Bonderman and Jim Coulter are part of a **cohort**

of billionaires who got their start with the Bass brothers,^[22] and Clive Bode was a longtime spokesperson and lawyer for the family.^[23]

Rushmore's track record on foreclosures

Rushmore's aggressive foreclosures in Puerto Rico are consistent with the firm's behavior on the mainland. Rushmore also acquired at least 2,533 delinquent mortgages from Freddie Mac in early 2016. The Freddie Mac mortgages Rushmore acquired are most concentrated in NJ (24.5% or 621), FL (12.7% or 323) and NY (11.5% or 291).^[24] Of these, it had foreclosed on around 694 (27%) as of the end of 2016, even though it had only had the mortgages for between 7 and 8 months. Rushmore appears to have foreclosed on homeowners significantly faster than average: for both loan sales it participated in, Freddie Mac SPO 2016#1 and Freddie Mac SPO 2015#7, Rushmore had the highest foreclosure rates at the end of 2016. During the same period, Rushmore had only modified only 149 loans.^[25]

Consumer complaints filed with the Consumer Financial Protection Bureau also suggest a pattern of aggressively foreclosing on homeowners.^[26] From 2012 to August 2017, there were 1,084 complaints about Rushmore in the CFPB's database concerning Rushmore's handling of consumer mortgages. Over 51% of the complaints are from 2016 and 2017 alone.^[27] Consumers from 45 states (plus Washington DC and Puerto Rico) filed complaints about Rushmore. The most complaints (144 or about 13% of total complaints) come from homeowners in Florida. The other states with the most registered complaints are California (142 complaints), New York (123 complaints), Georgia (80 complaints), and New Jersey (57 complaints). These complaints pertain to FHA mortgages, conventional fixed mortgages, and adjustable rate mortgages. Consumers with Rushmore-serviced mortgages shared stories of being locked out of their homes while in the process of moving out, being denied loan modifications despite being eligible, and being sold predatory and unnecessary insurance. (CFPB consumer complaints database; complaint #1324786)^[28]

One homeowner from California shared: "Once we reached out to Rushmore to try and get some help to get back on track with the mortgage, we were constantly being treated unfairly. In fact, a supervisor named (omitted) had the nerve to say to me as I was trying

to get a completed modification application submitted that I should ” start saving money ” since he had to respond to his investors who were business men and I was just another file.”[29]

Another California homeowner shared their inability to reach reliable Rushmore employees: “I have been paying monthly mortgage payments to Rushmore Loan Management Services on a regular basis for years. Recently I have (omitted) online payment service for this purpose. Rushmore claims that they have not been getting the bank transfer funds and threaten me with numerous phone calls at all hours. My bank records show valid fund transfers. I am unable to talk to reliable Rushmore employees; usually their phone numbers is not answered. I do not want to jeopardize my mortgage, but do not know how to proceed.” (CFPB consumer complaints database; complaint #1402985)[30]

Finally, a homeowner in Puerto Rico reported behavior that seems to be in line with Hedge Clippers’ analysis of Rushmore’s strategy on the island: “My mortgage has been sold to Rushmore Financial Services...They (sued) me for the amount of (omitted) of the principal amount of the mortgage and want as a settlement 35% of the amount owed plus all the interest accumulated... They are not flexible and expressed that they just want to acquire the home to build their house portfolio.”(CFPB consumer complaint database; complaint # 1460879)[31]

[1] https://www.nytimes.com/2017/10/19/us/puerto-rico-electricity-power.html?_r=0

[2] <https://www.usatoday.com/story/news/world/2017/09/22/hurricane-maria-aftermath-puerto-rico-battles-floods/692251001/>

[3] <https://www.nbcnews.com/news/latino/puerto-rico-grapples-foreclosure-crisis-thousands-lose-homes-n775021>

[4] <http://money.cnn.com/2016/02/12/investing/puerto-rico-john-paulson/index.html>

[5] <https://www.tpg.com/>

[6] <https://www.bloomberg.com/news/articles/2017-10-03/tpg-seals-record-2-billion-for-rise-impact-fund-co-led-by-bono>

[7] <http://therisefund.com/>

[8] <http://therisefund.com/>

[9] <https://www.nbcnews.com/news/latino/puerto-rico-grapples-foreclosure-crisis-thousands-lose-homes-n775021>

[10] <https://www.elnuevodia.com/noticias/locales/nota/lapoblacionenpuertoricoestara pordebajode3millonesen8anos-2358518/>

[11] <http://www.ocif.gobierno.pr/documents/Q2-2013/Analisis%20Hipotecas%20sobre%20Foreclosure.pdf>

[12] <https://www.housingwire.com/articles/31175-rushmore-loan-management-services-to-open-branch-in-puerto-rico>

[13] ia.com/negocios/economia/nota/eldolordeperderlacasa-2342742/

[14] <https://www.elnuevodia.com/negocios/economia/nota/eldolordeperderlacasa-2342742/>

[15] *Roosevelt Cayman Asset Company II V. Gonzalez-Rivero Et Al, 3:17cv1764, Nov 21, 2017 Motion for Default Judgement; Roosevelt Cayman Asset Company II V. Maldonado Rivera Et Al, 3:17cv1728, Nov 1, 2017 Motion for Default Judgement.*

[16] https://www.moody's.com/research/Moodys-assigns-an-SQ-assessment-of-SQ3-to-Rushmore-Loan-PR_352399 and https://www.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=436789

[17] https://www.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=436789

^[18] https://adviserinfo.sec.gov/IAPD/content/ViewForm/crd_iapd_stream_pdf.aspx?ORG_PK=161605

^[19] <https://www.penews.com/articles/three-executives-depart-tpg-sixth-street-partners-20170906>

^[20] https://adviserinfo.sec.gov/IAPD/content/ViewForm/crd_iapd_stream_pdf.aspx?ORG_PK=159732

^[21] <http://fortune.com/2015/10/28/ex-goldman-sachs-president-to-become-co-ceo-of-tpg-capital/>

^[22] <https://www.forbes.com/forbes/welcome/?toURL=https://www.forbes.com/sites/nathanvardi/2016/03/01/the-bass-billionaires/&refURL=&referrer=#13bc7fb736f2>

^[23] <http://www.nytimes.com/2001/09/21/business/bass-family-in-need-of-money-forced-to-sell-6.4-of-disney.html>

^[24] https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/Dec2016_NPL_Sales_Report.pdf

^[25] FHFA Enterprise Non-Performing Loan Sales Report, December 2016.

^[26] <https://data.consumerfinance.gov/dataset/Consumer-Complaints/s6ew-h6mp> — data retrieved August 29, 2017

^[27] Based on “date received” data from <https://data.consumerfinance.gov/dataset/Consumer-Complaints/s6ew-h6mp> (retrieved August 29, 2017)

^[28] All complaint data comes from the CFPB database <https://data.consumerfinance.gov/dataset/Consumer-Complaints/s6ew-h6mp> (data retrieved August 29, 2017)

[29] CFPB consumer complaints database; complaint #1324786

[30] CFPB consumer complaints database; complaint #1402985

[31] CFPB consumer complaint database; complaint # 1460879

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WHO ARE THE HEDGECLIPPERS?

The Hedge Clippers are working to expose the mechanisms hedge funds and billionaires use to influence government and politics in order to expand their wealth, influence and power. We're exposing the collateral